

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

NVE CORP /NEW/  
Form 10QSB  
January 19, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended December 31, 2004

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-12196

NVE Corporation

(Exact name of small business issuer as specified in its charter)

Minnesota  
(State or other jurisdiction of  
incorporation or organization)

41-1424202  
(IRS Employer  
Identification No.)

11409 Valley View Road, Eden Prairie, Minnesota 55344  
(Address of principal executive offices)

(952) 829-9217  
(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for  
such shorter period that the registrant was required to file such reports),  
and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

State the number of shares outstanding of each of the issuer's classes of  
common equity, as of the latest practicable date:  
Common Stock, \$.01 Par Value - 4,543,354 shares outstanding  
as of January 17, 2005

Transitional Small Business Disclosure Format (Check one): Yes  No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

NVE CORPORATION  
BALANCE SHEET  
DECEMBER 31, 2004  
(Unaudited)

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

Current assets:	
Cash and cash equivalents	\$ 670,725
Investment securities	6,576,674
Accounts receivable, net of allowance for uncollectible accounts of \$15,000	2,266,330
Inventories	1,750,989
Deferred tax asset	250,000
Prepaid expenses and other assets	131,623
	-----
Total current assets	11,646,341
Fixed assets:	
Machinery and equipment	4,115,724
Leasehold improvements	406,287
	-----
	4,522,011
Less accumulated depreciation	2,675,683
	-----
Net fixed assets	1,846,328
	-----
Total assets	\$13,492,669
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 410,035
Accrued payroll and other	682,001
Deferred revenue	316,414
Capital lease obligations	65,999
	-----
Total current liabilities	1,474,449
Capital lease obligations, less current portion	50,685
	-----
Total liabilities	1,525,134
Shareholders' equity:	
Common stock	45,013
Additional paid-in capital	13,376,776
Accumulated other comprehensive loss	(36,627)
Accumulated deficit	(1,417,627)
	-----
Total shareholders' equity	11,967,535
	-----
Total liabilities and shareholders' equity	\$13,492,669
	=====

SEE ACCOMPANYING NOTES.

NVE CORPORATION  
STATEMENTS OF INCOME  
THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)

Three Months Ended Dec. 31	
2004	2003
-----	-----

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

Revenue:		
Contract research and development	\$ 1,440,262	\$ 1,633,361
Product sales	1,118,210	1,484,766
	-----	-----
Total revenue	2,558,472	3,118,127
Cost of sales	1,570,826	1,907,029
	-----	-----
Gross profit	987,646	1,211,098
Expenses:		
Research and development	257,284	230,671
Selling, general & administrative	437,839	446,264
	-----	-----
Total expenses	695,123	694,935
	-----	-----
Income from operations	292,523	516,163
Interest income	60,177	46,716
Interest expense	(2,796)	(6,107)
Other income	25,268	20,384
	-----	-----
Net income	\$ 375,172	\$ 577,156
	=====	=====
Net income per share-basic	\$ 0.08	\$ 0.13
	=====	=====
Net income per share-diluted	\$ 0.08	\$ 0.12
	=====	=====
Weighted average shares outstanding:		
Basic	4,501,345	4,334,092
Diluted	4,883,402	4,831,540

SEE ACCOMPANYING NOTES.

NVE CORPORATION  
STATEMENTS OF INCOME  
NINE MONTHS ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)

	Nine Months Ended Dec. 31	
	2004	2003
	-----	-----
Revenue:		
Contract research and development	\$ 4,612,011	\$ 4,949,879
Product sales	3,931,402	3,852,282
	-----	-----
Total revenue	8,543,413	8,802,161
Cost of sales	5,157,504	5,554,726
	-----	-----

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

Gross profit	3,385,909	3,247,435
Expenses:		
Research and development	925,136	711,913
Selling, general & administrative	1,404,083	1,390,818
	-----	-----
Total expenses	2,329,219	2,102,731
	-----	-----
Income from operations	1,056,690	1,144,704
Interest income	173,543	140,184
Interest expense	(10,858)	(20,705)
Other income	62,766	53,867
	-----	-----
Net income	\$ 1,282,141	\$ 1,318,050
	=====	=====
Net income per share-basic	\$ 0.29	\$ 0.31
	=====	=====
Net income per share-diluted	\$ 0.26	\$ 0.28
	=====	=====
Weighted average shares outstanding:		
Basic	4,497,919	4,241,791
Diluted	4,879,976	4,739,239

SEE ACCOMPANYING NOTES.

NVE CORPORATION  
STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)

	Nine Months Ended Dec. 31	
	2004	2003
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 1,282,141	\$ 1,318,050
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	409,530	381,919
Changes in operating assets and liabilities:		
Accounts receivable	(526,851)	(124,701)
Inventories	(601,135)	(348,234)
Prepaid expenses and other	164,914	62,234
Accounts payable and accrued expenses	52,920	89,008
Deferred revenue	(107,762)	(469,289)
	-----	-----
Net cash provided by operating activities	673,757	908,987
INVESTING ACTIVITIES		
Purchases of fixed assets	(805,148)	(774,110)
(Purchases) sales of investment securities	(226,320)	477,074

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

Net cash used in investing activities	(1,031,468)	(297,036)
FINANCING ACTIVITIES		
Net proceeds from sale of common stock	79,147	246,071
Repayment of capital lease obligations	(106,507)	(114,447)
Net cash (used in) provided by financing activities	(27,360)	131,624
(Decrease) increase in cash and cash equivalents	(385,071)	743,575
Cash and cash equivalents at beginning of period	1,055,796	595,768
Cash and cash equivalents at end of period	\$ 670,725	\$ 1,339,343

SEE ACCOMPANYING NOTES.

NVE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

1. INTERIM FINANCIAL INFORMATION

The accompanying unaudited financial statements of NVE Corporation (the "Company") are consistent with accounting principles generally accepted in the United States and reporting with Securities and Exchange Commission rules and regulations. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the financial statements. Although we believe that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed financial statements be read in conjunction with the audited financial statements and the notes included in our latest annual financial statements included in our Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004. The results of operations for the three and nine month periods ended December 31, 2004 are not necessarily indicative of the results that may be expected for the full fiscal year ending March 31, 2005.

2. NATURE OF BUSINESS

We develop, manufacture, and sell "spintronics" devices, a nanotechnology which relies on electron spin rather than electron charge to acquire, store, and transmit information.

3. REVENUE RECOGNITION

Revenue from product sales is recognized when title transfers, generally upon shipment. Revenue from licensing and technology development programs, which is nonrefundable and for which no significant future obligations exist, is recognized when the license is signed. Revenue from licensing and technology development programs, which is refundable, recoupable against future royalties, or for which future obligations exist, is recognized when we complete our obligations under the terms of the agreements. Revenue from royalties is recognized upon the shipment of product from our technology license partners to direct customers. Certain research and development activities are conducted for third parties and such revenue is recognized as the services are performed.

## Edgar Filing: NVE CORP /NEW/ - Form 10QSB

Payments received from licensing and technology development programs relating to future obligations as well as prepayments for future discounts on product sales are recorded as deferred revenue.

#### 4. EARNINGS PER SHARE

We calculate our net income per share pursuant to Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share. Basic earnings per share is computed based upon the weighted average number of common shares issued and outstanding during each fiscal year. Diluted net income per share amounts assume conversion, exercise or issuance of all potential common stock instruments (stock options and warrants). Stock options were not included in the computation of diluted earnings per share if the exercise prices of the options were greater than the market price of the common stock.

#### 5. INVESTMENTS

We classify and account for debt and equity securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Our entire portfolio consists of government-backed and corporate bonds and is classified as available for sale; thus, securities are recorded at fair market value and any associated unrealized gain or loss, net of tax, is included as a separate component of shareholders' equity, "Accumulated other comprehensive income."

#### 6. COMPREHENSIVE INCOME

The components of comprehensive income are as follows:

	Three months ended December 31		Nine months ended December 31	
	2004	2003	2004	2003
Net income	\$375,172	\$577,156	\$1,282,141	\$1,318,050
Change in unrealized gains (loss)	(41,902)	(24,146)	(126,997)	(22,911)
Comprehensive income	\$333,270	\$553,010	\$1,155,144	\$1,295,139

#### 7. INVENTORIES

Inventories consist of the following:

Raw materials	\$ 761,306
Work-in-process	772,606
Finished goods	397,077
	1,930,989
Less obsolescence reserve	(180,000)
	\$1,750,989

#### 8. STOCK-BASED COMPENSATION

We have adopted the disclosure-only provisions of SFAS Nos. 123 and 148, Accounting for Stock-Based Compensation, but apply Accounting Principles Board

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

(APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for our Stock Option Plan and Employee Stock Purchase Plan. Under APB Opinion No. 25, when the exercise price of employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and income per share is required by SFAS Nos. 123 and 148, and has been determined as if we had accounted for our employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 3.1% and 2.7% for the three and nine months ended December 31, 2004 and 2003, expected volatility of 55% to 99% and 55% for the three and nine months ended December 31, 2004 and 2003, a weighted average expected life of the options of one to five years, and no dividend yield.

Option valuation models were developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options.

The pro forma information is as follows:

	Three Months Ended Dec. 31 2004	2003
	-----	-----
Net income applicable to common shares:		
As reported	\$ 375,172	\$ 577,156
Pro forma adjustment for stock options	(186,761)	(83,590)
	-----	-----
Pro forma net income	\$ 188,411	\$ 493,566
	=====	=====
Earnings per share:		
Basic - as reported	\$ 0.08	\$ 0.13
Basic - pro forma	\$ 0.04	\$ 0.11
Diluted - as reported	\$ 0.08	\$ 0.12
Diluted - pro forma	\$ 0.04	\$ 0.10

	Nine Months Ended Dec. 31 2004	2003
	-----	-----
Net income applicable to common shares:		
As reported	\$ 1,282,141	\$ 1,318,050
Pro forma adjustment for stock options	(570,779)	(246,240)
	-----	-----

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

Pro forma net income	\$ 711,362	\$ 1,071,810
	=====	=====
Earnings per share:		
Basic - as reported	\$ 0.29	\$ 0.31
Basic - pro forma	\$ 0.16	\$ 0.25
Diluted - as reported	\$ 0.26	\$ 0.28
Diluted - pro forma	\$ 0.15	\$ 0.23

Item 2. Management's Discussion and Analysis or Plan of Operation.

Forward-looking statements

Some of the statements made in this Quarterly Report on Form 10-QSB constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to the safe harbor provisions of the reform act. Forward-looking statements may be identified by the use of the terminology such as may, will, expect, anticipate, intend, believe, estimate, should, or continue or the negatives of these terms or other variations on these words or comparable terminology. To the extent that this report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of NVE, you should be aware that our actual financial condition, operating results and business performance may differ materially from that projected or estimated by us in the forward-looking statements. We have attempted to identify, in context, some of the factors that we currently believe may cause actual future experience and results to differ from their current expectations. These differences may be caused by a variety of factors, including but not limited to adverse economic conditions, intense competition, including entry of new competitors, our ability to obtain sufficient financing to support our operations, progress in research and development activities by us and others, variations in costs that are beyond our control, adverse federal, state and local government regulations, unexpected costs, lower sales and net income, or higher net losses than forecasted, price increases for equipment, our dependence on significant suppliers, including Taiwan Semiconductor Manufacturing Corporation for foundry semiconductor wafers, our ability to meet stringent customer technical requirements, our ability to consummate additional license agreements, our ability to continue eligibility for SBIR awards, our inability to raise prices, failure to obtain new customers, the possible fluctuation and volatility of our operating results and financial condition, inability to carry out marketing and sales plans, loss of key executives, and other specific risks included in our Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004.

General

We develop, manufacture, and sell devices using "spintronics," a nanotechnology we helped pioneer, which utilizes electron spin rather than electron charge to acquire, store and transmit information. We are a licensor of spintronic magnetic random access memory technology, commonly referred to as MRAM, which we believe has the potential to revolutionize electronic memory. We also manufacture high-performance spintronic products including sensors and couplers to revolutionize data sensing and transmission.

Outlook

We have been shifting resources from government-funded research contracts to company-funded research in order to develop new commercial products. Our contract research and development revenue may therefore decline in coming quarters. Furthermore, increased MRAM development could increase research and development expenses and reduce research and development revenue by diverting resources from revenue generating activities.



## Edgar Filing: NVE CORP /NEW/ - Form 10QSB

An electronic industry inventory glut may continue for one or more quarters, which could continue to depress our product sales. The inventory glut may be due to depressed demand for electronic components in certain segments of the electronic industry. In addition, increased competition may depress product sales, especially coupler sales.

We expect selling, general and administrative expenses to increase as we prepare to rollout MRAM manufactured under our technology agreement with Cypress Semiconductor Corporation. We may also increase expenditures relating

to MRAM license procurement. Legal expenses relating to enforcing our MRAM intellectual property may also increase. We expect general and administrative expenses to increase in the remainder of fiscal 2005 due to auditing and consulting related to compliance with the internal control provisions of Sarbanes-Oxley section 404.

While we currently have no material commitments for capital expenditures, we may purchase additional capital equipment needed to package and test MRAM from wafers manufactured under our technology agreement with Cypress.

While we expect to remain profitable in the fourth quarter of Fiscal 2005, there is a risk that these additional expenses could lead to lower net income compared to the prior year or operating losses.

### Critical accounting policies

It is important to understand our significant accounting policies in order to understand our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. These accounting principles require us to make estimates and assumptions that affect amounts reported in our financial statements and the accompanying notes. Actual results are likely to differ from those estimates, but we do not believe such differences will materially affect our financial position or results of operations for the periods presented in this report.

### Revenue Recognition

Revenue from product sales is recognized when title transfers, generally upon shipment. Revenue from licensing and technology development programs, which is nonrefundable and for which no significant future obligations exist, is recognized when the license is signed. Revenue from licensing and technology development programs, which is refundable, recoupable against future royalties, or for which future obligations exist, is recognized when we complete our obligations under the terms of the agreements. Revenue from royalties is recognized upon the shipment of product from our technology license partners to direct customers. Certain research and development activities are conducted for third parties and such revenue is recognized as the services are performed. Payments received from licensing and technology development programs relating to future obligations as well as prepayments for future discounts on product sales are recorded as deferred revenue.

### Bad Debt

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required.

### Inventory

We reduce the stated value of our inventory for excess quantities or obsolescence in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and

## Edgar Filing: NVE CORP /NEW/ - Form 10QSB

market conditions. Additional reductions in stated value may be required if actual future demand or market conditions are less favorable than we projected.

### Income Taxes

In determining the carrying value of our net deferred tax assets, we must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions to realize the benefit of these assets. We evaluate the realizability of the deferred assets quarterly and assess the need for valuation allowances or reduction of existing allowances quarterly.

Three months ended December 31, 2004 compared to three months ended December 31, 2003

The table below summarizes the percentage of revenue for the various items for the periods indicated:

	Three Months Ended Dec. 31 2004	2003
	-----	-----
Revenue:		
Research and development	56.3 %	52.4 %
Product sales	43.7	47.6
	-----	-----
Total revenue	100.0	100.0
Cost of sales	61.4	61.2
	-----	-----
Gross profit	38.6	38.8
Total expenses	23.9	20.3
	-----	-----
Net income	14.7 %	18.5 %
	=====	=====

Revenue for the three months ended December 31, 2004 (the third quarter of fiscal 2005) was \$2,558,472, a decrease of 18% from revenue of \$3,118,127, for the three months ended December 31, 2003 (the third quarter of fiscal 2004). The revenue decrease was primarily due to a 25% decrease in product sales to \$1,118,210 from \$1,484,766. The decrease in product sales was primarily due to a decline in sales to St. Jude Medical and an industry-wide inventory glut. The decline in sales to St. Jude Medical was due to St. Jude Medical purchasing parts for inventory in the prior-year period as they expanded their use of our components.

Research and development expenses increased by 12% to \$257,284 for the three months ended December 31, 2004 as compared to \$230,671 for the three months ended December 31, 2003. The increase was due to increased efforts to develop new and improved commercial products.

Selling, general and administrative expenses for the three months ended December 31, 2004 decreased by 2% to \$437,839 compared to \$446,264 for the three months ended December 31, 2003.

We recorded pre-tax income of \$375,172 and \$577,156 for the three months ended December 31, 2004 and December 31, 2003, respectively. The income tax provision for the three months ended December 31, 2004 is comprised of U.S.

## Edgar Filing: NVE CORP /NEW/ - Form 10QSB

Federal income tax expense of \$127,558, offset by a tax valuation allowance adjustment of \$127,558. The income tax provision for the three months ended December 31, 2003 is comprised of U.S. Federal income tax expense of \$196,233, offset by a tax valuation allowance adjustment of \$196,233.

Net income totaled \$375,172 for the three months ended December 31, 2004 compared to \$577,156 for the three months ended December 31, 2003. The decrease in net income was due to decreased revenues.

Nine months ended December 31, 2004 compared to nine months ended December 31, 2003

The table below summarizes the percentage of revenue for the various items for the periods indicated:

	Nine Months Ended 2004	Dec. 31 2003
	-----	-----
Revenue:		
Research and development	54.0 %	52.4 %
Product sales	46.0	47.6
	-----	-----
Total revenue	100.0	100.0
Cost of sales	60.4	61.2
	-----	-----
Gross profit	39.6	38.8
Total expenses	24.6	20.3
	-----	-----
Net income	15.0 %	18.5 %
	=====	=====

Revenue for the nine months ended December 31, 2004 was \$8,543,413, a decrease of 3% from revenue of \$8,802,161, for the nine months ended December 31, 2003. The revenue decrease was primarily due to a decline in research and development revenue partially offset by increases in commercial product sales.

Research and development revenue decreased 7% for the nine months ended December 31, 2004 to \$4,612,011 from \$4,949,879 for the nine months ended December 31, 2003 due to a shift in resources from government-funded research contracts to company-funded research. Product sales increased 2% to \$3,931,402 from \$3,852,282.

Research and development expenses increased by 30% to \$925,136 for the nine months ended December 31, 2004 as compared to \$711,913 for the nine months ended December 31, 2003. The increase was due to shifting resources from government-funded research contracts to company-funded research.

Selling, general and administrative expenses for the nine months ended December 31, 2004 increased by 1% to \$1,404,083 compared to \$1,390,818 for the nine months ended December 31, 2003.

We recorded pre-tax income of \$1,282,141 and \$1,318,050 for the nine months ended December 31, 2004 and December 31, 2003, respectively. The income tax provision for the nine months ended December 31, 2004 is comprised of U.S. Federal income tax expense of \$435,928, offset by a tax valuation allowance adjustment of \$435,928. The income tax provision for the nine months ended

## Edgar Filing: NVE CORP /NEW/ - Form 10QSB

December 31, 2003 is comprised of U.S. Federal income tax expense of \$448,137, offset by a tax valuation allowance adjustment of \$448,137.

Net income totaled \$1,282,141 for the nine months ended December 31, 2004 compared to \$1,318,050 for the nine months ended December 31, 2003. The decrease in net income was due to decreased revenues.

### Liquidity and capital resources

At December 31, 2004 we had \$7,247,399 in cash and available-for-sale securities, consisting of marketable fixed-income investments. We believe our working capital is adequate to meet our requirements for at least the next twelve months.

### Item 3. Controls and Procedures.

#### Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

#### Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II--OTHER INFORMATION

### Item 6. Exhibits.

- 31.1 Certification by Daniel A. Baker pursuant to Rule 13a-14(a)/15d-14(a).
- 31.2 Certification by Richard L. George pursuant to Rule 13a-14(a)/15d-14(a).
- 32 Certification by Daniel A. Baker and Richard L. George pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99 Cautionary statements for purposes of the "safe harbor" provisions of The Private Securities Litigation Reform Act.

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

caused this report to be signed on its behalf by the undersigned, thereunto  
duly authorized.

NVE CORPORATION  
(Registrant)

Date January 19, 2005  
-----

/s/ Daniel A. Baker  
-----

Daniel A. Baker  
President and Chief Executive Officer

Date January 19, 2005  
-----

/s/ Richard L. George  
-----

Richard L. George  
Chief Financial Officer